



City of Grand Ledge, Michigan

Financial Statements

**For the Fiscal Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities.....	4-5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund.....	10-11
Major Street Fund	12
Local Street Fund	13
Statement of Net Assets – Proprietary Funds	14
Reconciliation of Net Assets on the Statement of Net Assets for the Enterprise Fund to Net Assets of Business-type Activities on the Statement of Net Assets	15
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	16
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Enterprise Fund to the Statement of Activities.....	17
Statement of Cash Flows – Proprietary Funds.....	18-19
Statement of Fiduciary Net Assets – Agency Funds.....	20
Combining Statement of Net Assets – Component Units	21
Combining Statement of Activities – Component Units.....	22
Notes to the Financial Statements	23-44

CITY OF GRAND LEDGE, MICHIGAN
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	45-46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	47-48
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Municipal Street.....	49
Parks and Recreation.....	50
Cemetery	51
Sidewalk.....	52
Grants	53
Drug Forfeiture	54
Police Restricted.	55
Airport Development	56
Yes Center Grant.....	57
Combining Statement of Net Assets – Internal Service Funds	58
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	59
Combining Statement of Cash Flows – Internal Service Funds.....	60
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds.....	61

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

October 9, 2008

The Honorable Mayor and
Members of the City Council
City of Grand Ledge
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF GRAND LEDGE, MICHIGAN** as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Ledge's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grand Ledge Area Emergency Services Authority (GLAESA), which represents 39.0% of the assets and 53.4% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the GLAESA, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge, Michigan*, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Ledge's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,675,754	\$ 2,030,794	\$ 3,706,548	\$ 1,384,442
Receivables	787,174	826,991	1,614,165	538,803
Internal balances	(25,207)	25,207	-	-
Prepaid items and other assets	47,433	120,681	168,114	2,658
Capital assets not being depreciated	1,246,148	546,763	1,792,911	3,077,873
Capital assets being depreciated, net	9,359,889	13,323,596	22,683,485	2,280,392
Total assets	13,091,191	16,874,032	29,965,223	7,284,168
Liabilities				
Accounts payable and accrued expenses	160,356	112,830	273,186	498,140
Accrued interest payable	20,177	83,497	103,674	81,470
Unearned revenue	11,154	-	11,154	490,690
Long-term liabilities:				
Due within one year	214,207	373,841	588,048	757,610
Due in more than one year	1,802,629	7,481,642	9,284,271	5,133,072
Total liabilities	2,208,523	8,051,810	10,260,333	6,960,982
Net Assets				
Invested in capital assets, net of related debt	8,828,874	7,623,540	16,452,414	1,634,459
Restricted for:				
Debt service	23,085	-	23,085	539,399
Capital projects	664,224	-	664,224	-
Perpetual care - expendable	11,245	-	11,245	-
Perpetual care - nonexpendable	61,238	-	61,238	-
Unrestricted (deficit)	1,294,002	1,198,682	2,492,684	(1,850,672)
Total net assets (deficit)	\$ 10,882,668	\$ 8,822,222	\$ 19,704,890	\$ 323,186

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Activities
For the Year Ended June 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating</u>	
		<u>for Services</u>	<u>Grants and</u>	<u>Revenue</u>
			<u>Contributions</u>	
			<u>Grants and</u>	
			<u>Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 1,006,045	\$ 264,216	\$ 156,363	\$ (585,466)
Public safety	1,425,581	71,706	110,236	(1,243,639)
Highways and streets	1,104,831	22,130	480,806	(601,895)
Recreation and cultural	288,072	104,760	-	(183,312)
Interest on long-term debt	80,008	-	12,000	(68,008)
Total governmental activities	<u>3,904,537</u>	<u>462,812</u>	<u>759,405</u>	<u>(2,682,320)</u>
Business-type activities:				
Water and sewer	<u>2,595,244</u>	<u>2,405,987</u>	<u>-</u>	<u>101,569</u>
Total primary government	<u>\$ 6,499,781</u>	<u>\$ 2,868,799</u>	<u>\$ 759,405</u>	<u>\$ (2,580,751)</u>
Component units				
Emergency services	\$ 1,290,423	\$ 315,032	\$ -	\$ (975,391)
Economic development	<u>871,156</u>	<u>-</u>	<u>-</u>	<u>(871,156)</u>
Total component units	<u>\$ 2,161,579</u>	<u>\$ 315,032</u>	<u>\$ -</u>	<u>\$ (1,846,547)</u>

continued...

City of Grand Ledge, Michigan
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,682,320)	\$ 101,569	\$ (2,580,751)	\$ (1,846,547)
General revenues:				
Property taxes	2,196,940	-	2,196,940	2,838,496
Grants and contributions not restricted to specific programs	728,444	-	728,444	499,538
Unrestricted investment earnings	136,199	93,149	229,348	50,293
Total general revenues	3,061,583	93,149	3,154,732	3,388,327
Change in net assets	379,263	194,718	573,981	1,541,780
Net assets (deficit), beginning of year	10,503,405	8,627,504	19,130,909	(1,218,594)
Net assets, end of year	\$ 10,882,668	\$ 8,822,222	\$ 19,704,890	\$ 323,186

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

City of Grand Ledge, Michigan
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 263,808	\$ 30,355	\$ 77,299	\$ 786,740	\$ 1,158,202
Cash on deposit with MDOT	-	336,600	-	-	336,600
Receivables:					
Taxes	10,140	-	-	4,056	14,196
Special assessments	-	-	-	46,363	46,363
Accounts	44,094	-	-	2,247	46,341
Note	-	-	-	22,445	22,445
Interfund receivable	114,368	-	-	-	114,368
Due from other governments	135,760	52,327	20,547	1,496	210,130
Advances to component unit	-	-	-	445,113	445,113
Prepaid items	-	-	-	1,986	1,986
<u>TOTAL ASSETS</u>	<u>\$ 568,170</u>	<u>\$ 419,282</u>	<u>\$ 97,846</u>	<u>\$ 1,310,446</u>	<u>\$ 2,395,744</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts payable	\$ 29,825	\$ 3,249	\$ 8,860	\$ 13,230	\$ 55,164
Accrued liabilities	52,663	2,786	3,531	28,285	87,265
Interfund payable	-	-	-	1,496	1,496
Deferred revenue	10,140	-	-	50,419	60,559
Total liabilities	<u>92,628</u>	<u>6,035</u>	<u>12,391</u>	<u>93,430</u>	<u>204,484</u>
Fund balances					
Reserved for prepaid items	-	-	-	1,986	1,986
Unreserved:					
Designated for subsequent year	-	235,906	85,455	102,262	423,623
Undesignated	475,542	177,341	-	-	652,883
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	364,221	364,221
Debt service funds	-	-	-	23,085	23,085
Capital projects fund	-	-	-	664,224	664,224
Permanent fund	-	-	-	61,238	61,238
Total fund balances	<u>475,542</u>	<u>413,247</u>	<u>85,455</u>	<u>1,217,016</u>	<u>2,191,260</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 568,170</u>	<u>\$ 419,282</u>	<u>\$ 97,846</u>	<u>\$ 1,310,446</u>	<u>\$ 2,395,744</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 2,191,260
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	13,527,447
Deduct - accumulated depreciation	(3,219,063)

Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	347,007
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred special assessments	49,405
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(1,788,799)
Add - unamortized discount on bonds	11,636
Add - unamortized bond issuance costs	18,901
Deduct - accrued interest on bonds payable	(20,177)
Deduct - compensated absences	(234,949)

Net assets of governmental activities	<u><u>\$ 10,882,668</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Major Street	Local Street	Other Governmental Funds	Totals Governmental Funds
Revenue					
Taxes	\$ 1,598,385	\$ -	\$ -	\$ 600,574	\$ 2,198,959
Licenses and permits	97,792	-	-	-	97,792
Intergovernmental	802,396	346,147	125,391	182,292	1,456,226
Charges for services	7,314	-	-	188,006	195,320
Fines and forfeitures	16,964	-	-	-	16,964
Investment income	55,504	12,566	7,333	55,764	131,167
Other	87,011	11,430	10,700	63,218	172,359
 Total revenue	 2,665,366	 370,143	 143,424	 1,089,854	 4,268,787
Expenditures					
Current:					
General government	751,632	-	-	213,949	965,581
Public safety	1,352,603	-	-	54,706	1,407,309
Highway and streets	79,392	515,735	559,762	91,507	1,246,396
Recreation and cultural	-	-	-	234,534	234,534
Debt service:					
Principal	-	-	-	333,650	333,650
Interest and fiscal charges	-	-	-	88,500	88,500
 Total expenditures	 2,183,627	 515,735	 559,762	 1,016,846	 4,275,970
 Revenue over (under) expenditures	 481,739	 (145,592)	 (416,338)	 73,008	 (7,183)
Other financing sources (uses)					
Transfers in	-	208,455	350,366	496,167	1,054,988
Transfers out	(440,255)	-	(114,306)	(500,427)	(1,054,988)
Transfers from component units	-	-	-	12,000	12,000
 Total other financing sources (uses)	 (440,255)	 208,455	 236,060	 7,740	 12,000
 Net changes in fund balances	 41,484	 62,863	 (180,278)	 80,748	 4,817
Fund balances, beginning of year	434,058	350,384	265,733	1,136,268	2,186,443
Fund balances, end of year	\$ 475,542	\$ 413,247	\$ 85,455	\$ 1,217,016	\$ 2,191,260

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 4,817
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	345,859
Deduct - depreciation expense	(304,686)
Deduct - loss on sale of capital asset	(8,201)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	333,650
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Internal service funds are used by management to charge the costs of certain equipment usage and employee benefits to individual governmental and enterprise funds. The net revenue (expense) attributable to those funds is reported with governmental and business-type activities.

Add - investment income from governmental internal service funds	5,032
Add - net operating income from governmental activities in internal service funds	13,889

Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Deduct - decrease in deferred special assessments	(2,019)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	8,492
Deduct - increase in the accrual for compensated absences	(17,570)

Change in net assets of governmental activities	\$ 379,263
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The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 1,592,184	\$ 1,592,184	\$ 1,598,385	\$ 6,201
Licenses and permits	156,000	156,000	97,792	(58,208)
Intergovernmental	808,700	808,700	802,396	(6,304)
Charges for services	10,000	10,000	7,314	(2,686)
Fines and forfeitures	17,000	17,000	16,964	(36)
Investment income	47,000	47,000	55,504	8,504
Other	76,220	85,713	87,011	1,298
Total revenues	2,707,104	2,716,597	2,665,366	(51,231)
Expenditures				
General government				
Legislative	10,265	10,265	8,692	(1,573)
Cable TV	2,095	2,116	1,832	(284)
City administrator	195,475	197,430	193,031	(4,399)
Elections	12,825	12,825	9,707	(3,118)
Auditing	21,500	21,500	20,500	(1,000)
Assessing	69,607	69,918	67,521	(2,397)
Attorney	40,000	56,500	55,895	(605)
City clerk	71,675	81,412	80,936	(476)
Finance	150,481	156,626	149,803	(6,823)
City hall	59,400	73,823	58,876	(14,947)
Recycling	21,470	21,568	21,153	(415)
Economic development	489,490	489,490	489,490	-
Other	44,616	45,135	35,308	(9,827)
Less reimbursements	(441,112)	(441,112)	(441,112)	-
Total general government	747,787	797,496	751,632	(45,864)
Public safety				
Police	1,169,351	1,255,814	1,237,735	(18,079)
Building inspection	108,100	108,100	46,779	(61,321)
Planning commission	12,416	18,841	16,018	(2,823)
Zoning	49,989	57,360	52,071	(5,289)
Total public safety	1,339,856	1,440,115	1,352,603	(87,512)
Highway and streets				
Street lighting	75,000	75,000	79,392	4,392
Total expenditures	2,162,643	2,312,611	2,183,627	(128,984)
Revenues over (under)				
expenditures	544,461	403,986	481,739	77,753

Continued...

City of Grand Ledge, Michigan
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Other financing sources (uses)				
Transfers out	\$ (440,255)	\$ (440,255)	\$ (440,255)	\$ -
Proceeds from sale of capital assets	700	700	-	(700)
Total other sources (uses)	<u>(439,555)</u>	<u>(439,555)</u>	<u>(440,255)</u>	<u>(700)</u>
Net change in fund balance	104,906	(35,569)	41,484	77,053
Fund balance, beginning of year	<u>434,058</u>	<u>434,058</u>	<u>434,058</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 538,964</u></u>	<u><u>\$ 398,489</u></u>	<u><u>\$ 475,542</u></u>	<u><u>\$ 77,053</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Major Street
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 372,492	\$ 372,492	\$ 346,147	\$ (26,345)
Investment income	12,500	12,500	12,566	66
Other	3,000	7,250	11,430	4,180
Total revenues	387,992	392,242	370,143	(22,099)
Expenditures				
Highways and streets	789,548	821,972	515,735	(306,237)
Revenues over (under) expenditures	(401,556)	(429,730)	(145,592)	284,138
Other financing sources (uses)				
Transfers in	197,550	208,455	208,455	-
Net change in fund balance	(204,006)	(221,275)	62,863	284,138
Fund balance, beginning of year	350,384	350,384	350,384	-
Fund balance, end of year	\$ 146,378	\$ 129,109	\$ 413,247	\$ 284,138

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Local Street
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	136,866	136,866	125,391	(11,475)
Investment income	11,500	11,500	7,333	(4,167)
Other	3,000	7,250	10,700	3,450
Total revenues	151,366	155,616	143,424	(12,192)
Expenditures				
Highways and streets	523,800	545,970	559,762	13,792
Revenues over (under) expenditures	(372,434)	(390,354)	(416,338)	(25,984)
Other financing sources (uses)				
Transfers in	361,271	350,366	350,366	-
Transfers out	(114,306)	(114,306)	(114,306)	-
Total other financing sources (uses)	246,965	236,060	236,060	-
Net change in fund balance	(125,469)	(154,294)	(180,278)	(25,984)
Fund balance, beginning of year	265,733	265,733	265,733	-
Fund balance, end of year	\$ 140,264	\$ 111,439	\$ 85,455	\$ (25,984)

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 495,804	\$ 180,952
Cash on deposit with Eaton County	1,534,990	-
Accounts receivable	511,190	2,586
Due from other governments	315,801	
Prepaid items	-	26,546
Unamortized bond issuance costs	120,681	-
Total current assets	<u>2,978,466</u>	<u>210,084</u>
Noncurrent assets:		
Capital assets, net	<u>13,870,359</u>	<u>297,653</u>
Total assets	<u>16,848,825</u>	<u>507,737</u>
Liabilities		
Current liabilities:		
Accounts payable	95,479	8,790
Accrued liabilities	17,351	9,137
Interfund payable	-	112,872
Accrued interest payable	83,497	-
Accrued compensated absences	8,841	567
Bonds and leases payable, current portion	365,000	-
Total current liabilities	<u>570,168</u>	<u>131,366</u>
Noncurrent liabilities:		
Accrued compensated absences, net of current portion	64,833	4,157
Bonds and leases payable, net of current portion	7,416,809	-
Total noncurrent liabilities	<u>7,481,642</u>	<u>4,157</u>
Total liabilities	<u>8,051,810</u>	<u>135,523</u>
Net assets		
Invested in capital assets, net of related debt	7,623,540	297,653
Unrestricted	<u>1,173,475</u>	<u>74,561</u>
	<u>\$ 8,797,015</u>	<u>\$ 372,214</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of Net Assets on the Statement of
Net Assets for the Enterprise Fund to Net Assets of
Business-type Activities on the Statement of Net Assets
June 30, 2008

Net assets - enterprise fund	\$ 8,797,015
-------------------------------------	--------------

Amounts reported for *business-type activities* in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Add - cumulative portion of internal service fund net income attributed to business-type activities	25,207
--	--------

Net assets of business-type activities	<u><u>\$ 8,822,222</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating revenues		
Charges for services:		
Water operations	\$ 1,306,227	\$ -
Sewer operations	1,099,209	-
Internal operations	-	860,502
Other revenue	551	9,365
Total operating revenues	<u>2,405,987</u>	<u>869,867</u>
Operating expenses		
Personnel	676,654	725,024
Repair and maintenance	183,516	48,304
Utilities	156,383	5,141
Other	741,666	32,782
Depreciation	469,456	44,818
Total operating expenses	<u>2,227,675</u>	<u>856,069</u>
 Operating income	 <u>178,312</u>	 <u>13,798</u>
Non-operating revenue (expense)		
Intergovernmental	290,826	-
Investment income	93,149	5,032
Interest expense	(367,478)	-
Total non-operating expense	<u>16,497</u>	<u>5,032</u>
 Change in net assets	 194,809	 18,830
Net assets, beginning of year	<u>8,602,206</u>	<u>353,384</u>
Net assets, end of year	<u><u>\$ 8,797,015</u></u>	<u><u>\$ 372,214</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Reconciliation of the Statement of Revenues, Expenses
and Change in Fund Net Assets of the Enterprise Fund
to the Statement of Activities
For the Year Ended June 30, 2008

Change in net assets - enterprise fund	\$ 194,809
---	------------

Amounts reported for *business-type activities* in the statement of activities are different because:

An internal service fund is used by management to charge the costs of certain services to individual governmental and enterprise funds. The net revenue (expense) of the internal service fund is allocated to governmental and and business-type activities.

Deduct - operating loss from internal service fund related to enterprise fund	(91)
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Change in net assets of business-type activities	\$ 194,718
---	------------

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities	Governmental Activities
	Water and Sewer Enterprise Fund	Internal Service Funds
Cash flows from operating activities		
Cash received from customers	\$ 2,151,118	\$ -
Cash received from interfund services	-	798,415
Cash payments to suppliers for goods and services	(1,334,791)	(717,977)
Cash payments to employees	(481,290)	(91,123)
Cash payments for interfund services	(199,585)	-
	<u>135,452</u>	<u>(10,685)</u>
Net cash provided (used) by operating activities		
Cash flows from non-capital financing activities		
Advances to component unit	<u>119,761</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(585,628)	-
Intergovernmental grants	290,826	
Long-term debt principal payments	(360,000)	-
Interest payments on long-term debt	(345,613)	-
	<u>(1,000,415)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities		
Cash flows from investing activities		
Interest on investments	<u>79,757</u>	<u>5,032</u>
Net decrease in cash and cash equivalents	(665,445)	(5,653)
Cash and cash equivalents:		
Beginning of year	<u>2,696,239</u>	<u>186,605</u>
End of year	<u><u>\$ 2,030,794</u></u>	<u><u>\$ 180,952</u></u>
Reconciliation of cash and cash equivalents per Statement of Net Assets:		
Cash and cash equivalents	\$ 495,804	\$ 180,952
Cash on deposit with Eaton County	1,534,990	-
	<u><u>\$ 2,030,794</u></u>	<u><u>\$ 180,952</u></u>
		Continued...

City of Grand Ledge, Michigan
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Business-type Activities</u> <u>Water and Sewer Enterprise Fund</u>	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 178,312	\$ 13,798
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	469,456	44,818
Change in assets and liabilities:		
Accounts receivable	60,932	(1,863)
Due from other government	(315,801)	-
Prepaid expenses	-	5,474
Accounts payable	(253,226)	(19,637)
Accrued liabilities	2,518	8,629
Interfund payable	-	(62,087)
Accrued compensated absences	<u>(6,739)</u>	<u>183</u>
Net cash provided (used) by operating activities	<u><u>\$ 135,452</u></u>	<u><u>\$ (10,685)</u></u>
 Non-Cash		
Capital contributions	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008

	<u>Total</u>
Assets	
Cash and cash equivalents	<u><u>\$ 26,387</u></u>
Liabilities	
Accounts payable	\$ 456
Undistributed receipts	<u>25,931</u>
Total liabilities	<u><u>\$ 26,387</u></u>

The accompanying notes are an integral part of these financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Component Units
June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Assets				
Cash and cash equivalents	\$ 537,142	\$ -	\$ 847,300	\$ 1,384,442
Receivables	-	-	538,803	538,803
Prepaid items and other assets	-	-	2,658	2,658
Capital assets not being depreciated	116,132	2,610,375	351,366	3,077,873
Capital assets being depreciated, net	<u>1,181,169</u>	<u>-</u>	<u>1,099,223</u>	<u>2,280,392</u>
Total assets	<u>1,834,443</u>	<u>2,610,375</u>	<u>2,839,350</u>	<u>7,284,168</u>
Liabilities				
Accounts payable and accrued expenses	14,378	496	38,153	53,027
Accrued interest payable	23,651	37,157	20,662	81,470
Unearned revenue	-	-	490,690	490,690
Advances from primary government	-	445,113	-	445,113
Long-term liabilities:				
Due within one year	372,700	226,089	158,821	757,610
Due in more than one year	<u>2,662,700</u>	<u>1,521,292</u>	<u>949,080</u>	<u>5,133,072</u>
Total liabilities	<u>3,073,429</u>	<u>2,230,147</u>	<u>1,657,406</u>	<u>6,960,982</u>
Net Assets				
Invested in capital assets, net of related debt	367,301	862,994	404,164	1,634,459
Restricted for debt service	49,399	-	490,000	539,399
Unrestricted (deficit)	<u>(1,655,686)</u>	<u>(482,766)</u>	<u>287,780</u>	<u>(1,850,672)</u>
Total net assets (deficit)	<u>\$ (1,238,986)</u>	<u>\$ 380,228</u>	<u>\$ 1,181,944</u>	<u>\$ 323,186</u>

The accompanying notes are an integral part of these financial statements.

City of Grand Ledge, Michigan
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2008

	Downtown Development Authority	Local Development Finance Authority	Grand Ledge Area Emergency Services Authority	Total
Expenses				
Emergency services	\$ -	\$ -	\$ 1,249,831	\$ 1,249,831
Economic development	583,050	35,441	-	618,491
Interest on long-term debt	155,489	97,176	40,592	293,257
	<u>738,539</u>	<u>132,617</u>	<u>1,290,423</u>	<u>2,161,579</u>
Program revenues				
Charges for services	-	-	315,032	315,032
	<u>-</u>	<u>-</u>	<u>315,032</u>	<u>315,032</u>
Net program revenues (expense)	(738,539)	(132,617)	(975,391)	(1,846,547)
	<u>(738,539)</u>	<u>(132,617)</u>	<u>(975,391)</u>	<u>(1,846,547)</u>
General revenues				
Property taxes	1,178,689	13,148	1,646,659	2,838,496
Grants and contributions not restricted to specific programs	10,048	489,490	-	499,538
Unrestricted investment earnings	34,733	113	15,447	50,293
	<u>1,223,470</u>	<u>502,751</u>	<u>1,662,106</u>	<u>3,388,327</u>
Total general revenues	1,223,470	502,751	1,662,106	3,388,327
	<u>1,223,470</u>	<u>502,751</u>	<u>1,662,106</u>	<u>3,388,327</u>
Change in net assets	484,931	370,134	686,715	1,541,780
	<u>484,931</u>	<u>370,134</u>	<u>686,715</u>	<u>1,541,780</u>
Net assets (deficit), beginning of year	(1,723,917)	10,094	495,229	(1,218,594)
	<u>(1,723,917)</u>	<u>10,094</u>	<u>495,229</u>	<u>(1,218,594)</u>
Net assets (deficit), end of year	<u>\$ (1,238,986)</u>	<u>\$ 380,228</u>	<u>\$ 1,181,944</u>	<u>\$ 323,186</u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CITY OF GRAND LEDGE, MICHIGAN

Index

Notes to the Financial Statements

June 30, 2008

	<u>PAGE</u>
I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	23
B. Government-wide and Fund Financial Statements.....	24
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	24
D. Assets, Liabilities, and Net Assets/Equity	27
II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
A. Budgetary Information	29
B. Excess of Expenditures Over Appropriations	29
III. DETAILED NOTES ON ALL FUNDS	
A. Deposits and Investments	30
B. Receivables.....	31
C. Capital Assets	32
D. Payables	34
E. Interfund Receivables, Payables and Transfers	34
F. Long-term Debt	35
IV. OTHER INFORMATION	
A. Risk Management.....	41
B. Property Taxes.....	41
C. Other Postemployment Benefits	42
D. Pension Plan	42
E. Contingent Liabilities	44
F. State Construction Code Act Compliance	44

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Grand Ledge, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City Administrator. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The government has no blended component units; the discretely presented component units have June 30 year-ends.

Discretely presented component units.

The City of Grand Ledge Downtown Development Authority (DDA) was established under Public Act 197 of 1975 to revitalize and plan for controlled development of the downtown business district. The government's council appoints the members of the DDA's governing board. The DDA is also fiscally dependent upon the City because the government's council approves the DDA's budget and any debt issuances. Financial statements for the DDA may be obtained from the City of Grand Ledge.

The City of Grand Ledge Local Development Finance Authority (LDFA) was established under Public Act 281 of 1986 to preserve and promote the continued growth of the City and the LDFA district. The government's council appoints the members of the LDFA's governing board. The LDFA is also fiscally dependent upon the City because the government's council approves the LDFA's budget and any debt issuances. The activities of the LDFA are accounted for in a single fund; accordingly, separate financial statements are not issued for it.

The Grand Ledge Area Emergency Services Authority (GLAESA) was established on October 1, 2001 under the provisions of Public Act 57 of 1988 to provide fire protection and rescue services within the boundaries of the City of Grand Ledge and the Township of Oneida (the incorporating municipalities). GLAESA is governed by a five-member board consisting of three members appointed by the City and two by the Township. GLAESA relies on funding for its operations from the City and Township. Financial statements for GLAESA may be obtained by writing the Authority at 500 North Clinton Street, Grand Ledge, Michigan 48837.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major street fund* accounts for the maintenance of all major streets; revenues are derived primarily from Public Act 51 gas and weight tax monies shared by the State of Michigan.

The *local street fund* accounts for the maintenance of all local streets; revenues are derived primarily from Public Act 51 gas and weight tax monies shared by the State of Michigan.

The government reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects fund. This fund accounts for the acquisition or construction of major capital projects not being financed by proprietary funds.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Permanent fund. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs, specifically the cemetery.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes equipment management and employee medical management services.

Agency funds. These funds account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise fund and of the government's internal service funds are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

D. Assets, liabilities and net assets/equity

1. *Deposits and investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

3. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and plants	20-40
Public domain infrastructure	50
System infrastructure	50
Vehicles	5-10
Equipment	3-15

5. *Compensated absences*

It is the government's policy to permit eligible employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate an unlimited amount of sick leave, which is paid only upon illness while in the employ of the City or upon retirement. Payment for sick leave upon retirement is capped at \$5,000 to \$7,500. Earned vacation time may be accumulated for up to two years. Employees are only paid for unused vacation at the time of termination. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Prior to the first regular Council meeting in April, the budget officer submits to the Council a proposed budget for the fiscal year beginning the following July 1. A public hearing is then conducted to obtain citizen comments. No later than the first Council meeting in June, the budget is required to be legally enacted through passage of a resolution.

The budget for the General Fund is adopted at the department level; all other budgets are adopted on a functional level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts) outstanding at year-end, if any, are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government had the following expenditures in excess of the amounts appropriated at the legal level of budgetary control:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General fund			
Highways and streets	\$ 75,000	\$ 79,392	\$ (4,392)
Local street fund			
Highways and streets	545,970	559,762	(13,792)

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the statement of net assets and statement of fiduciary net assets to deposits and investments as classified for note disclosure purposes is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents		
Statement of net assets	\$ 3,706,548	\$ 1,384,442
Statement of fiduciary net assets	<u>26,387</u>	<u>-</u>
	<u>\$ 3,732,935</u>	<u>\$ 1,384,442</u>
Deposits and investments		
Bank deposits	\$ 1,860,705	\$ 1,384,442
Cash on deposit with Eaton County	1,534,990	-
Cash on deposit with MDOT	336,600	-
Cash on hand	<u>640</u>	<u>-</u>
	<u>\$ 3,732,935</u>	<u>\$ 1,384,442</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

At year-end, the carrying amount of deposits for the City and component units were \$2,305,818 and \$1,384,442, respectively. The combined bank balance was \$3,304,633. Of the bank balance, \$3,004,633 was uninsured and uncollateralized, and therefore exposed to custodial credit risk.

The cash on deposit with Eaton County is pooled with other County funds and, therefore, the amount of these funds exposed to custodial credit risk cannot be determined. Similarly, the cash on deposit with the Michigan Department of Transportation (MDOT) is held with other State funds and, therefore, the amount exposed to custodial credit risk cannot be determined.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At year-end, neither the City nor its component units had any investments. The City's investment policies conform to State guidelines.

B. Receivables

Receivables in the governmental activities are 57 percent due from component units, 26 percent due from other governments and 17 percent other receivables. Business-type activities receivables are 62 percent due from customers and 38 percent due from other governments.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Deferred revenue reported in governmental funds	<u>\$ 49,405</u>	<u>\$ 11,154</u>	<u>\$ 60,559</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2008 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,241,154	\$ 4,994	\$ -	\$ 1,246,148
Capital assets, being depreciated:				
Land improvements	2,026,313	25,345	-	2,051,658
Buildings	2,562,429	-	-	2,562,429
Equipment	1,103,795	24,316	(83,647)	1,044,464
Infrastructure	7,055,708	291,204	-	7,346,912
Total capital assets being depreciated	12,748,245	340,865	(83,647)	13,005,463
Less accumulated depreciation for:				
Land improvements	(287,751)	(57,433)	-	(345,184)
Buildings	(809,525)	(75,366)	-	(884,891)
Equipment	(656,725)	(69,767)	75,446	(651,046)
Infrastructure	(1,617,515)	(146,938)	-	(1,764,453)
Total accumulated depreciation	(3,371,516)	(349,504)	75,446	(3,645,574)
Total capital assets, being depreciated, net	9,376,729	(8,639)	(8,201)	9,359,889
Governmental activities capital assets, net	\$10,617,883	\$ (3,645)	\$ (8,201)	\$ 10,606,037
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 546,763	\$ -	\$ -	\$ 546,763
Capital assets, being depreciated:				
Buildings and systems	19,113,670	577,111	-	19,690,781
Equipment	926,311	8,519	(54,121)	880,709
Total capital assets being depreciated	20,039,981	585,630	(54,121)	20,571,490
Less accumulated depreciation for:				
Buildings and systems	(6,064,149)	(421,565)	-	(6,485,714)
Equipment	(768,410)	(47,891)	54,121	(762,180)
Total accumulated depreciation	(6,832,559)	(469,456)	54,121	(7,247,894)
Total capital assets, being depreciated, net	13,207,422	116,174	-	13,323,596
Business-type activities capital assets, net	\$13,754,185	\$ 116,174	\$ -	\$ 13,870,359

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 61,396
Public safety	21,757
Highways, including depreciation of general infrastructure assets	167,681
Parks and recreation	53,852
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>44,818</u>

Total depreciation expense - governmental activities	<u>\$ 349,504</u>
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Business-type activities -

Water and sewer	<u>\$ 469,456</u>
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Discretely presented component units

Capital assets activity for the discretely presented component units for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Downtown Development Authority				
Capital assets, not being depreciated:				
Land	\$ 116,132	\$ -	\$ -	\$ 116,132
Capital assets, being depreciated:				
Land improvements	1,438,557	33,527	-	1,472,084
Less accumulated depreciation for:				
Land improvements	<u>(232,031)</u>	<u>(58,884)</u>	<u>-</u>	<u>(290,915)</u>
Total capital assets, being depreciated, net	<u>1,206,526</u>	<u>(25,357)</u>	<u>-</u>	<u>1,181,169</u>
DDA capital assets, net	<u>\$ 1,322,658</u>	<u>\$ (25,357)</u>	<u>\$ -</u>	<u>\$ 1,297,301</u>
Local Development Finance Authority				
Capital assets, not being depreciated:				
Land	<u>\$ 2,585,310</u>	<u>\$ 25,065</u>	<u>\$ -</u>	<u>\$ 2,610,375</u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Grand Ledge Area Emergency Services Authority				
Capital assets, not being depreciated:				
Land	\$ 351,366	\$ -	\$ -	\$ 351,366
Capital assets, being depreciated:				
Equipment	1,148,963	592,701	(25,000)	1,716,664
Building improvements	-	7,860	-	7,860
Total capital assets being depreciated	<u>1,148,963</u>	<u>600,561</u>	<u>(25,000)</u>	<u>1,724,524</u>
Less accumulated depreciation for:				
Equipment	(541,278)	(99,492)	15,556	(625,214)
Building improvements	-	(87)	-	(87)
Total accumulated depreciation	<u>(541,278)</u>	<u>(99,579)</u>	<u>15,556</u>	<u>(625,301)</u>
Total capital assets, being depreciated, net	<u>607,685</u>	<u>500,982</u>	<u>(9,444)</u>	<u>1,099,223</u>
GLAESA capital assets, net	<u>\$ 959,051</u>	<u>\$ 500,982</u>	<u>\$ (9,444)</u>	<u>\$ 1,450,589</u>

D. Payables

Payables in the governmental activities are 40 percent vendors and 60 percent payroll and deposits. Business-type activities payables are 85 percent vendors and 15 percent payroll and deposits.

E. Interfund receivables, payables and transfers

At June 30, 2008, the general fund reported an interfund receivable of \$114,368 due from nonmajor governmental funds (\$1,496) and internal service funds (\$112,872) representing negative cash balances in those funds.

Also at June 30, 2008, the capital projects fund (nonmajor governmental fund) reported an advance to component units of \$445,113 and the Local Development Finance Authority reported an advance from primary government in the same amount representing negative cash balance in the LDFA.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

For the year ended June 30, 2008, interfund transfers consisted of the following:

	Transfer From:			Total
	General Fund	Local Street Fund	Nonmajor Governmental Funds	
Transfer To:				
Major street fund	\$ -	\$ -	\$ 208,455	\$ 208,455
Local street fund	173,000	-	177,366	350,366
Nonmajor governmental	267,255	114,306	114,606	496,167
Total	\$ 440,255	\$ 114,306	\$ 500,427	\$ 1,054,988

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities as well as the component units. The original amount of general obligation bonds issued in prior years for the governmental activities debt listed below was \$4,439,721.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities		
2001 drain	5.0-5.3%	196,782
2001 bridge improvement	4.1-6.0%	320,000
2004 capital improvement	2.5-3.6%	825,000
2006 drain	5.28%	31,680
		\$ 1,373,462
Discretely presented component units		
DDA		
1998 refunding	3.9-4.850%	\$ 1,980,000
2001 parking lot	4.0-4.875%	930,000
LDFA		
2001 transportation	4.83%	165,000
2002 capital improvement	5.0-7.0%	425,000
		\$ 3,500,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30	Governmental Activities		Component Units	
	Principal	Interest	Principal	Interest
2009	\$ 140,437	\$ 55,732	\$ 390,000	\$ 164,494
2010	140,437	50,310	390,000	147,012
2011	150,437	44,873	390,000	129,361
2012	155,437	39,056	385,000	111,417
2013	160,437	32,919	390,000	93,416
2014-2018	505,997	77,167	1,100,000	231,536
2019-2023	120,280	15,554	455,000	52,804
	\$ 1,373,462	\$ 315,611	\$ 3,500,000	\$ 930,040

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Revenue bonds. The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$2,825,192. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
1992 water	2.0%	<u>\$ 440,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 85,000	\$ 8,800
2010	85,000	7,100
2011	90,000	5,400
2012	90,000	3,600
2013	90,000	1,800
	<u><u>\$ 440,000</u></u>	<u><u>\$ 26,700</u></u>

Capital lease. During fiscal 2005, the government entered into a capital lease agreement with Eaton County for \$7,975,000 pursuant to the issuance of revenue and refunding bonds on behalf of the City by the County. The government pledges income derived from its water and sewer operations to pay debt service. Upon retirement of the underlying bonded debt, title to the capital assets will pass from the County to the City.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities		
2005 Eaton County revenue/refunding bond	3.5-5.0%	<u>\$ 7,135,000</u>
Component units		
GLAESA		
2004 ambulances		<u><u>\$ 136,345</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Annual debt service requirements to maturity for capital leases are as follows:

Year Ended June 30	Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest
2009	\$ 280,000	\$ 325,188	\$ 31,225	\$ 8,013
2010	290,000	315,386	33,060	6,178
2011	300,000	305,238	35,000	4,235
2012	315,000	293,238	37,060	2,178
2013	330,000	280,638		
2014-2018	1,990,000	1,159,936	-	-
2019-2023	2,485,000	621,312	-	-
2024-2025	1,145,000	76,919	-	-
	\$ 7,135,000	\$ 3,377,855	\$ 136,345	\$ 20,604

Purchase agreements. The government has entered into various installment purchase agreements for the acquisition of real property and equipment. The original amount of these obligations for the primary government was \$745,726. One new purchase agreement amounting to \$400,000 was entered into during the current year.

Purpose	Interest Rates	Amount
Governmental activities		
2001 purchase contract (Osmer Property)	5.20%	\$ 137,479
2001 loan (Cemetery)	6.00%	21,862
2006 purchase contract (River Street)	4.20%	134,333
2007 purchase contract (River Street)	4.20%	121,663
		\$ 415,337

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Component units		
DDA		
1998 purchase contract (Larson)	5.0%	\$ 81,200
1998 purchase contract (Kingory)	5.0%	44,200
LDFA		
1998 purchase agreement (Olinger Property)	4.62%	37,200
2001 loan (Installment)	5.0%	28,572
2001 loan (State of Michigan)	0.0%	333,332
2002 purchase agreement (Willis Property)	4.36%	758,277
GLAESA		
Fire apparatus	4.76%	182,043
Land	4.88%	328,037
Truck apparatus	3.85%	400,000
		<u><u>\$ 2,192,861</u></u>

Annual debt service requirements to maturity for purchase agreements are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Component Units</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 45,009	\$ 18,489	\$ 320,331	\$ 84,877
2010	45,768	16,317	321,824	83,055
2011	35,517	14,074	323,099	61,609
2012	36,269	12,500	306,096	49,780
2013	37,056	10,868	287,639	39,487
2014-2018	156,642	29,566	333,194	75,560
2019-2023	59,076	4,123	224,802	40,031
2024-2026	-	-	75,876	7,523
	<u><u>\$ 415,337</u></u>	<u><u>\$ 105,937</u></u>	<u><u>\$ 2,192,861</u></u>	<u><u>\$ 441,922</u></u>

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Primary Government</u>					
Governmental activities					
General obligation bonds	\$ 1,653,288	\$ -	\$ 279,826	\$ 1,373,462	\$ 140,437
Purchase agreements	469,161	-	53,824	415,337	45,009
Compensated absences	221,921	199,710	181,958	239,673	28,761
Deduct deferred amounts for bond issuance costs	(13,106)	-	(1,470)	(11,636)	-
	<u>\$ 2,331,264</u>	<u>\$ 199,710</u>	<u>\$ 514,138</u>	<u>\$ 2,016,836</u>	<u>\$ 214,207</u>
Business-type activities					
Revenue bonds	\$ 520,000	\$ -	\$ 80,000	\$ 440,000	\$ 85,000
Capital leases	7,415,000	-	280,000	7,135,000	280,000
Compensated absences	80,412	64,812	71,550	73,674	8,841
Deduct deferred amounts for:					
Bond issuance premium	237,711	-	13,392	224,319	-
Deferred loss on refunding	(35,020)	-	(17,510)	(17,510)	-
	<u>\$ 8,218,103</u>	<u>\$ 64,812</u>	<u>\$ 427,432</u>	<u>\$ 7,855,483</u>	<u>\$ 373,841</u>
<u>Component Units</u>					
DDA					
General obligation bonds	\$ 3,245,000	\$ -	\$ 335,000	\$ 2,910,000	\$ 350,000
Purchase agreements	147,150	-	21,750	125,400	22,700
	<u>\$ 3,392,150</u>	<u>\$ -</u>	<u>\$ 356,750</u>	<u>\$ 3,035,400</u>	<u>\$ 372,700</u>
LDFA					
General obligation bonds	\$ 625,000	\$ -	\$ 35,000	\$ 590,000	\$ 40,000
Purchase agreements	1,350,069	-	192,688	1,157,381	186,089
	<u>\$ 1,975,069</u>	<u>\$ -</u>	<u>\$ 227,688</u>	<u>\$ 1,747,381</u>	<u>\$ 226,089</u>
GLAESA					
Capital leases	\$ 165,837	\$ -	\$ 29,492	\$ 136,345	\$ 31,225
Purchase agreements	568,063	400,000	57,983	910,080	111,542
Compensated absences	57,754	3,722	-	61,476	16,054
	<u>\$ 791,654</u>	<u>\$ 403,722</u>	<u>\$ 87,475</u>	<u>\$ 1,107,901</u>	<u>\$ 158,821</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

IV. OTHER INFORMATION

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the government carried insurance through various commercial carriers to cover all risks of losses. The government has had no settled claims from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Property taxes

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through October 1; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Eaton County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The 2007 taxable value of real and personal property in the City totaled \$215,584,585 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2007-08 was 8.0650 mills, with an additional 2.4193 mills for municipal streets and 0.8062 mills for recreation.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Grand Ledge, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

C. Other postemployment benefits

The City provides certain health care benefits for employees who retire. Substantially all employees are eligible for benefits if they reach the age of 55 with at least 25 years of credited service while working for the City. The City pays half of the cost of health insurance premiums for the retiree and his/her dependents with the exception of UAW employees where only the retiree is covered. These benefits terminate when the retiree becomes Medicare-eligible. City contributions to finance this benefit program are currently on a pay-as-you go basis. There were no City contributions necessary for the year ended June 30, 2008.

D. Defined benefit pension plan

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS, for police bargaining unit members only. The Plan, which was established in October 2007, provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the rate for the year ended June 30, 2008 was 11.0% of annual covered payroll. Police bargaining unit employees are required to contribute 10.62% of covered wages. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City Council, subject to the collective bargaining agreement and depending on the MERS contribution program adopted by the City. By contract, the City's annual contribution is limited to 11.0% of annual covered payroll; if subsequent actuarial valuations require an increase in the annual contribution the contract stipulates that the employees will be required to make these increased contributions.

For the year ended June 30, 2008, the City's annual pension cost of \$46,632 was equal to the required and actual contribution. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit.

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Annual Years Ended June 30,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2008	\$ 46,632	100%	\$ -

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/07	\$ 866,277	\$1,832,180	\$ 965,903	47%	\$562,097	172%

D. Defined contribution pension plan

The City of Grand Ledge Group Pension Plan is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to all participating full-time employees of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15%. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

The payroll for employees covered by the plan for the year ended June 30, 2008 was \$1,424,696, as compared to the City's total payroll of \$2,193,435. For fiscal 2008, the City's contribution was \$154,190 (or 10.82% of covered payroll). Employee contributions were \$167,396 (or 11.75% of covered payroll).

CITY OF GRAND LEDGE, MICHIGAN

Notes to the Financial Statements

E. Contingent liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal governments to establish fees that bear a reasonable relationship to the cost of operating their building departments. The City's fee structure is not intended to fully recover its costs, and accordingly, the operations of the City's building department are accounted for in the General Fund.

For the year ended June 30, 2008, the City's revenue and expenditures related to its building department were as follows:

Revenue

Building permits	<u>\$ 39,151</u>
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Expenditures

Public safety - inspection	<u>\$ 46,779</u>
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**COMBINING and INDIVIDUAL FUND FINANCIAL
STATEMENTS and SCHEDULES**

City of Grand Ledge, Michigan
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds					
	<u>Municipal Street</u>	<u>Parks and Recreation</u>	<u>Cemetery</u>	<u>Sidewalk</u>	<u>Grants</u>	<u>Drug Forfeiture</u>
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 66,183	\$ 139,382	\$ 25,296	\$ 38,699	\$ 43,045	\$ 18,714
Taxes receivable	3,042	1,014	-	-	-	-
Special assessments receivable	46,363	-	-	-	-	-
Accounts receivable	-	1,171	76	-	-	-
Notes receivable	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Advances to component unit	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 115,588</u>	<u>\$ 141,567</u>	<u>\$ 25,372</u>	<u>\$ 38,699</u>	<u>\$ 43,045</u>	<u>\$ 18,714</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities						
Accounts payable	\$ 174	\$ 9,128	\$ 2,098	\$ -	\$ -	\$ 38
Accrued liabilities	1,003	22,294	1,988	-	-	-
Interfund payable	-	-	-	-	-	-
Deferred revenue	49,405	1,014	-	-	-	-
Total liabilities	<u>50,582</u>	<u>32,436</u>	<u>4,086</u>	<u>-</u>	<u>-</u>	<u>38</u>
Fund balances						
Reserved for prepaid items	-	-	-	-	-	-
Designated for subsequent year expenditures	32,819	-	20,648	37,550	-	-
Unreserved, undesignated	<u>32,187</u>	<u>109,131</u>	<u>638</u>	<u>1,149</u>	<u>43,045</u>	<u>18,676</u>
Total fund balances	<u>65,006</u>	<u>109,131</u>	<u>21,286</u>	<u>38,699</u>	<u>43,045</u>	<u>18,676</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 115,588</u>	<u>\$ 141,567</u>	<u>\$ 25,372</u>	<u>\$ 38,699</u>	<u>\$ 43,045</u>	<u>\$ 18,714</u>

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Police Restricted	Airport Development	YES Center Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ 17,534	\$ 145,653	\$ -	\$ 5,872	\$ 6,928	\$ 10,285	\$ 219,111	\$ 50,038	\$ 786,740
-	-	-	-	-	-	-	-	4,056
-	-	-	-	-	-	-	-	46,363
-	1,000	-	-	-	-	-	-	2,247
-	-	-	-	-	-	-	22,445	22,445
-	-	1,496	-	-	-	-	-	1,496
-	-	-	-	-	-	445,113	-	445,113
-	1,986	-	-	-	-	-	-	1,986
<u>\$ 17,534</u>	<u>\$ 148,639</u>	<u>\$ 1,496</u>	<u>\$ 5,872</u>	<u>\$ 6,928</u>	<u>\$ 10,285</u>	<u>\$ 664,224</u>	<u>\$ 72,483</u>	<u>\$ 1,310,446</u>
\$ 476	\$ 1,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,230
-	3,000	-	-	-	-	-	-	28,285
-	-	1,496	-	-	-	-	-	1,496
-	-	-	-	-	-	-	-	50,419
<u>476</u>	<u>4,316</u>	<u>1,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,430</u>
-	1,986	-	-	-	-	-	-	1,986
-	-	-	-	-	-	-	11,245	102,262
<u>17,058</u>	<u>142,337</u>	<u>-</u>	<u>5,872</u>	<u>6,928</u>	<u>10,285</u>	<u>664,224</u>	<u>61,238</u>	<u>1,112,768</u>
<u>17,058</u>	<u>144,323</u>	<u>-</u>	<u>5,872</u>	<u>6,928</u>	<u>10,285</u>	<u>664,224</u>	<u>72,483</u>	<u>1,217,016</u>
<u>\$ 17,534</u>	<u>\$ 148,639</u>	<u>\$ 1,496</u>	<u>\$ 5,872</u>	<u>\$ 6,928</u>	<u>\$ 10,285</u>	<u>\$ 664,224</u>	<u>\$ 72,483</u>	<u>\$ 1,310,446</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds					
	Municipal Street	Parks and Recreation	Cemetery	Sidewalk	Grants	Drug Forfeiture
Revenues						
Taxes	\$ 451,070	\$ 149,504	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Charges for services	-	67,346	72,313	-	-	-
Interest	5,979	6,965	1,603	1,314	-	745
Other	9,268	37,414	9,947	667	-	5,590
Total revenues	466,317	261,229	83,863	1,981	-	6,335
Expenditures						
General government	-	-	151,256	-	-	-
Public safety	-	-	-	-	-	642
Highways and streets	58,437	-	-	33,070	-	-
Recreation and culture	-	234,503	-	-	31	-
Debt service:						
Principal	13,121	29,843	10,860	-	-	-
Interest	7,831	11,994	1,381	-	-	-
Total expenditures	79,389	276,340	163,497	33,070	31	642
Revenues over (under) expenditures	386,928	(15,111)	(79,634)	(31,089)	(31)	5,693
Other financing sources (uses)						
Transfers in	-	10,000	67,130	40,000	43,076	-
Transfers out	(425,821)	(62,361)	-	-	-	-
Transfers from component units	-	-	-	-	-	-
Total other financing sources (uses)	(425,821)	(52,361)	67,130	40,000	43,076	-
Net changes in fund balances	(38,893)	(67,472)	(12,504)	8,911	43,045	5,693
Fund balances, beginning of year	103,899	176,603	33,790	29,788	-	12,983
Fund balances, end of year	\$ 65,006	\$ 109,131	\$ 21,286	\$38,699	\$ 43,045	\$ 18,676

Special Revenue Funds			Debt Service Funds			Capital Projects Fund	Permanent Fund	Total
Police Restricted	Airport Development	YES Center Grant	Island Bridge	Storm Drain	2004 Capital Improvement	Capital Projects	Cemetery Trust	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,574
3,500	130,400	48,392	-	-	-	-	-	182,292
-	48,347	-	-	-	-	-	-	188,006
738	3,390	-	841	499	3,597	26,340	3,753	55,764
-	332	-	-	-	-	-	-	63,218
4,238	182,469	48,392	841	499	3,597	26,340	3,753	1,089,854
-	62,693	-	-	-	-	-	-	213,949
5,669	-	48,395	-	-	-	-	-	54,706
-	-	-	-	-	-	-	-	91,507
-	-	-	-	-	-	-	-	234,534
-	-	-	15,000	179,826	85,000	-	-	333,650
-	-	-	16,257	21,849	29,188	-	-	88,500
5,669	62,693	48,395	31,257	201,675	114,188	-	-	1,016,846
(1,431)	119,776	(3)	(30,416)	(201,176)	(110,591)	26,340	3,753	73,008
-	-	-	19,285	202,370	114,306	-	-	496,167
-	-	-	-	-	-	-	(12,245)	(500,427)
-	-	-	12,000	-	-	-	-	12,000
-	-	-	31,285	202,370	114,306	-	(12,245)	7,740
(1,431)	119,776	(3)	869	1,194	3,715	26,340	(8,492)	80,748
18,489	24,547	3	5,003	5,734	6,570	637,884	80,975	1,136,268
<u>\$ 17,058</u>	<u>\$ 144,323</u>	<u>\$ -</u>	<u>\$ 5,872</u>	<u>\$ 6,928</u>	<u>\$ 10,285</u>	<u>\$ 664,224</u>	<u>\$ 72,483</u>	<u>\$1,217,016</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Municipal Street
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 464,030	\$ 464,030	\$451,070	\$ (12,960)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	4,000	4,000	5,979	1,979
Other	9,700	9,700	9,268	(432)
Total revenues	477,730	477,730	466,317	(11,413)
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	59,726	74,296	58,437	(15,859)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	15,772	13,963	13,121	(842)
Interest	7,531	7,832	7,831	(1)
Total expenditures	83,029	96,091	79,389	(16,702)
Revenues over (under) expenditures	394,701	381,639	386,928	5,289
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(425,821)	(425,821)	(425,821)	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(425,821)	(425,821)	(425,821)	-
Net change in fund balance	(31,120)	(44,182)	(38,893)	5,289
Fund balance, beginning of year	103,899	103,899	103,899	-
Fund balance, end of year	\$ 72,779	\$ 59,717	\$ 65,006	\$ 5,289

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Parks and Recreation
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 150,663	\$ 150,663	\$ 149,504	\$ (1,159)
Intergovernmental	-	500	-	(500)
Charges for services	81,500	81,500	67,346	(14,154)
Interest	5,500	5,500	6,965	1,465
Other	38,000	38,000	37,414	(586)
Total revenues	275,663	276,163	261,229	(14,934)
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	288,000	297,335	234,503	(62,832)
Capital outlay	-	-	-	-
Debt service:				
Principal	29,845	29,845	29,843	(2)
Interest	11,995	11,995	11,994	(1)
Total expenditures	329,840	339,175	276,340	(62,835)
Revenues over (under) expenditures	(54,177)	(63,012)	(15,111)	47,901
Other financing sources (uses)				
Transfers in	10,000	10,000	10,000	-
Transfers out	(62,361)	(62,361)	(62,361)	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	(52,361)	(52,361)	(52,361)	-
Net change in fund balance	(106,538)	(115,373)	(67,472)	47,901
Fund balance, beginning of year	176,603	176,603	176,603	-
Fund balance, end of year	\$ 70,065	\$ 61,230	\$ 109,131	\$ 47,901

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Cemetery
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	77,050	77,050	72,313	(4,737)
Interest	3,000	3,000	1,603	(1,397)
Other	1,000	1,000	9,947	8,947
Total revenues	81,050	81,050	83,863	2,813
Expenditures				
General government	155,935	166,662	151,256	(15,406)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	10,280	10,862	10,860	(2)
Interest	1,965	1,383	1,381	(2)
Total expenditures	168,180	178,907	163,497	(15,410)
Revenues over (under) expenditures	(87,130)	(97,857)	(79,634)	18,223
Other financing sources (uses)				
Transfers in	67,130	67,130	67,130	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	67,130	67,130	67,130	-
Net change in fund balance	(20,000)	(30,727)	(12,504)	18,223
Fund balance, beginning of year	33,790	33,790	33,790	-
Fund balance, end of year	\$ 13,790	\$ 3,063	\$ 21,286	\$ 18,223

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Sidewalk
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	1,500	1,500	1,314	(186)
Other	-	-	667	667
	<u>2,500</u>	<u>2,500</u>	<u>1,981</u>	<u>(519)</u>
Total revenues				
	<u>2,500</u>	<u>2,500</u>	<u>1,981</u>	<u>(519)</u>
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	35,500	50,500	33,070	(17,430)
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>35,500</u>	<u>50,500</u>	<u>33,070</u>	<u>(17,430)</u>
Total expenditures				
	<u>35,500</u>	<u>50,500</u>	<u>33,070</u>	<u>(17,430)</u>
Revenues over (under) expenditures				
	<u>(33,000)</u>	<u>(48,000)</u>	<u>(31,089)</u>	<u>16,911</u>
Other financing sources (uses)				
Transfers in	40,000	40,000	40,000	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)				
	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net change in fund balance				
	<u>7,000</u>	<u>(8,000)</u>	<u>8,911</u>	<u>16,911</u>
Fund balance, beginning of year				
	<u>29,788</u>	<u>29,788</u>	<u>29,788</u>	<u>-</u>
Fund balance (deficit), end of year				
	<u>\$ 36,788</u>	<u>\$ 21,788</u>	<u>\$ 38,699</u>	<u>\$ 16,911</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Grants
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	192,100	-	(192,100)
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	85,000	-	(85,000)
Total revenues	-	277,100	-	(277,100)
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	320,176	31	(320,145)
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	320,176	31	(320,145)
Revenues over (under) expenditures	-	(43,076)	(31)	43,045
Other financing sources (uses)				
Transfers in	-	43,076	43,076	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	43,076	43,076	-
Net change in fund balance	-	-	43,045	43,045
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	\$ -	\$ -	\$ 43,045	\$ 43,045

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Drug Forfeiture
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	400	400	745	345
Other	900	900	5,590	4,690
Total revenues	1,300	1,300	6,335	5,035
Expenditures				
General government	-	-	-	-
Public safety	1,200	1,200	642	(558)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,200	1,200	642	(558)
Revenues over (under) expenditures	100	100	5,693	5,593
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	100	100	5,693	5,593
Fund balance, beginning of year	12,983	12,983	12,983	-
Fund balance, end of year	\$ 13,083	\$ 13,083	\$ 18,676	\$ 5,593

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Police Restricted
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,500	3,500	0
Charges for services	-	-	-	-
Interest	1,000	1,000	738	(262)
Other	-	-	-	-
	<u>1,000</u>	<u>4,500</u>	<u>4,238</u>	<u>(262)</u>
Total revenues	<u>1,000</u>	<u>4,500</u>	<u>4,238</u>	<u>(262)</u>
Expenditures				
General government	-	-	-	-
Public safety	800	6,722	5,669	(1,053)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>800</u>	<u>6,722</u>	<u>5,669</u>	<u>(1,053)</u>
Total expenditures	<u>800</u>	<u>6,722</u>	<u>5,669</u>	<u>(1,053)</u>
Revenues over (under) expenditures	<u>200</u>	<u>(2,222)</u>	<u>(1,431)</u>	<u>791</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>200</u>	<u>(2,222)</u>	<u>(1,431)</u>	<u>791</u>
Fund balance, beginning of year	<u>18,489</u>	<u>18,489</u>	<u>18,489</u>	<u>-</u>
Fund balance, end of year	<u>\$ 18,689</u>	<u>\$ 16,267</u>	<u>\$ 17,058</u>	<u>\$ 791</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Airport Development
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	207,834	130,400	(77,434)
Charges for services	47,250	47,250	48,347	1,097
Interest	4,000	4,000	3,390	(610)
Other	-	-	332	332
	<u>51,250</u>	<u>259,084</u>	<u>182,469</u>	<u>(76,615)</u>
Total revenues				
	<u>51,250</u>	<u>259,084</u>	<u>182,469</u>	<u>(76,615)</u>
Expenditures				
General government	60,237	144,651	62,693	(81,958)
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>60,237</u>	<u>144,651</u>	<u>62,693</u>	<u>(81,958)</u>
Total expenditures				
	<u>60,237</u>	<u>144,651</u>	<u>62,693</u>	<u>(81,958)</u>
Revenues over (under) expenditures				
	<u>(8,987)</u>	<u>114,433</u>	<u>119,776</u>	<u>5,343</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance				
	<u>(8,987)</u>	<u>114,433</u>	<u>119,776</u>	<u>5,343</u>
Fund balance, beginning of year				
	<u>24,547</u>	<u>24,547</u>	<u>24,547</u>	<u>-</u>
Fund balance, end of year				
	<u>\$ 15,560</u>	<u>\$ 138,980</u>	<u>\$ 144,323</u>	<u>\$ 5,343</u>

City of Grand Ledge, Michigan
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
YES Center Grant
For the Year Ended June 30, 2008

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	54,030	48,392	(5,638)
Charges for services	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>54,030</u>	<u>48,392</u>	<u>(5,638)</u>
Total revenues	<u>-</u>	<u>54,030</u>	<u>48,392</u>	<u>(5,638)</u>
Expenditures				
General government	-	-	-	-
Public safety	-	54,030	48,395	(5,635)
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>-</u>	<u>54,030</u>	<u>48,395</u>	<u>(5,635)</u>
Total expenditures	<u>-</u>	<u>54,030</u>	<u>48,395</u>	<u>(5,635)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Loan proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(3)	(3)
Fund balance, beginning of year	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 3</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3)</u></u>

City of Grand Ledge, Michigan
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	<u>Equipment Operating</u>	<u>Employee Benefit</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 180,952	\$ 180,952
Accounts receivable	2,586	-	2,586
Prepaid expense	-	26,546	26,546
	<u> </u>	<u> </u>	<u> </u>
Total current assets	2,586	207,498	210,084
Capital assets, net	<u>297,653</u>	<u> -</u>	<u>297,653</u>
Total assets	<u>300,239</u>	<u>207,498</u>	<u>507,737</u>
Liabilities			
Current liabilities:			
Accounts payable	3,148	5,642	8,790
Accrued liabilities	1,077	8,060	9,137
Interfund payable	112,872	-	112,872
Accrued compensated absences, current portion	567	-	567
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	117,664	13,702	131,366
Noncurrent liabilities -			
Accrued compensated absences, net of current portion	4,157	-	4,157
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>121,821</u>	<u>13,702</u>	<u>135,523</u>
Net assets			
Invested in capital assets	297,653	-	297,653
Unrestricted (deficit)	<u>(119,235)</u>	<u>193,796</u>	<u>74,561</u>
Unrestricted	<u>\$ 178,418</u>	<u>\$ 193,796</u>	<u>\$ 372,214</u>

City of Grand Ledge, Michigan
Combining Statement of Revenues,
Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Equipment Operating</u>	<u>Employee Benefit</u>	<u>Total</u>
Operating revenue			
Charges for services	\$ 239,218	\$ 621,284	\$ 860,502
Other revenue	<u>1,065</u>	<u>8,300</u>	<u>9,365</u>
Total operating revenue	<u>240,283</u>	<u>629,584</u>	<u>869,867</u>
Operating expenses			
Personnel	91,875	633,149	725,024
Repair and maintenance	48,304	-	48,304
Utilities	5,141	-	5,141
Other	32,782	-	32,782
Depreciation	<u>44,818</u>	<u>-</u>	<u>44,818</u>
Total operating expenses	<u>222,920</u>	<u>633,149</u>	<u>856,069</u>
Net operating income (loss)	17,363	(3,565)	13,798
Non-operating revenues			
Investment income	<u>-</u>	<u>5,032</u>	<u>5,032</u>
Change in net assets	17,363	1,467	18,830
Net assets, beginning of year	<u>161,055</u>	<u>192,329</u>	<u>353,384</u>
Net assets, end of year	<u><u>\$ 178,418</u></u>	<u><u>\$ 193,796</u></u>	<u><u>\$ 372,214</u></u>

City of Grand Ledge, Michigan
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Equipment Operating</u>	<u>Employee Benefit</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from interfund services	\$ 177,131	\$ 621,284	\$ 798,415
Payments to suppliers/claimants	(86,008)	(631,969)	(717,977)
Payments to employees	<u>(91,123)</u>	<u>-</u>	<u>(91,123)</u>
Net cash used by operating activities	-	(10,685)	(10,685)
Cash flows from investing activities			
Investment income	<u>-</u>	<u>5,032</u>	<u>5,032</u>
Net decrease in cash and cash equivalents	-	(5,653)	(5,653)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>186,605</u>	<u>186,605</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 180,952</u>	<u>\$ 180,952</u>
Reconciliation of operating income (loss) to net cash used by operating activities			
Operating income (loss)	\$ 17,363	\$ (3,565)	\$ 13,798
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	44,818	-	44,818
Change in assets and liabilities:			
Accounts receivable	(1,863)	-	(1,863)
Prepaid expense	-	5,474	5,474
Accounts payable	1,017	(20,654)	(19,637)
Accrued liabilities	569	8,060	8,629
Interfund payable	(62,087)	-	(62,087)
Accrued compensated absences	<u>183</u>	<u>-</u>	<u>183</u>
Net cash used by operating activities	<u>\$ -</u>	<u>\$ (10,685)</u>	<u>\$ (10,685)</u>

City of Grand Ledge, Michigan
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

	<u>Agency Funds</u>			
	<u>Trust & Agency</u>	<u>Current Tax</u>	<u>Payroll Clearing</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 25,931	\$ -	\$ 456	\$ 26,387
<u>LIABILITIES</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 456	\$ 456
Undistributed receipts	25,931	-	-	25,931
<u>TOTAL LIABILITIES</u>	<u>\$ 25,931</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ 26,387</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 9, 2008

To the City Council of the
City of Grand Ledge, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Grand Ledge* (the “City”) for the year ended June 30, 2008, and have issued our report thereon dated October 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the *City*. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 25, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the *City of Grand Ledge* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.

City of Grand Ledge
Comments and Recommendations
For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of the City of Grand Ledge (the “City”) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Significant Deficiencies

Internal Controls – Segregation of Duties

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the organization’s assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the organization’s unique circumstances.

City of Grand Ledge

Comments and Recommendations

For the Year Ended June 30, 2008

Condition: During the course of the audit it was noted that:

- Maintenance of the receivable subsidiary ledger is not independent of general ledger maintenance.
- Billing is not independent of cash handling and accounts receivable bookkeeping.
- Persons preparing payroll are not restricted from access to other payroll data or cash.
- Handling of cash is not independent of accounts receivable bookkeeping.
- Check signing is not independent of the initiator of the preparer of checks, cash receipts, accounts payable, and cash bookkeeping.
- The responsibilities for initiating, evaluating, and approving transactions are not separate from detail accounting and general ledger functions.

Cause: As is the case with many organizations of similar size, the City of Grand Ledge lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Essentially, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Effect: Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of an organization's internal controls carries with it a greater risk of fraud and abuse.

Recommendation/Comment: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

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